

Central American Agriculture at Stake



Preliminary Study on the Position of Agricultural
Workers and Small Farmers' Organisations in Central
America on the proposed Association Agreement
between the European Union and Central America





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This report has been commissioned by Banana Link and ICCO and written by Greivin Hernández González, an independent consultant in Costa Rica, with support from Aseprola. The opinions and analysis presented in the second half of this report have been gathered through an extensive participatory consultation process - including workshops in Honduras and El Salvador - with leaders from agroindustrial workers' unions and small farmers' organisations in the different countries of Central America. For more details of the organisations consulted, please write (preferably in Spanish) to Victor Quesada Arce at victorq@aseprola.org



INTRODUCTION

THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND CENTRAL AMERICA

The Summit between the European Union and Latin America, held in Vienna in May 2006, marked a historical moment at the political level for Central American countries because the European Union (EU) finally agreed to their petition to initiate the round of negotiations leading to an Association Agreement (AA).

The Agreement - wide-ranging according to European officials and intended to include the areas of development cooperation, international trade and political dialogue - will formalise even more than at present a historical process of political dialogue between the two regions which started with the *San José Dialogue*. It should also re-affirm the position of the EU as the region's main development cooperation donor.

However, the emphasis of the Agreement seems to be far more heavily weighted to international trade matters. The reason for this - as we shall see later - is that, in spite of Central America enjoying broad access to the EU market, the few products (sugar and bananas) that would benefit most from improved market access through the Agreement, are very important to the economy of Central American countries and constitute a major source of employment. Even more importantly, the aggressive position of the EU in recent trade negotiations makes it reasonable to predict that Central America (CA) will be facing important economic and social challenges since it still has important and sensitive sectors that are either protected at present or excluded from trade flows and international investment.

On the other hand, the diplomatic line of EU representatives in relation to the negotiations - emphasising that an Association Agreement (AA) is an instrument for promoting sustainable development in the region and that the process is to be conducted in a participatory and transparent way - has increased the expectations of sectors of the population and civil society organisations in Central America, who had always felt disadvantaged by - and excluded from (as indeed they were) - similar trade agreements.

This document seeks to offer information and analysis that will help civil society organisations - especially trade unions, small and medium-scale producers and other social organisations - in positioning themselves on the negotiations between the EU and CA which started in October 2007.

After a brief account of trade relations between the two regions, in particular in relation to agricultural trade, there is a description of the people working in the most dynamic sectors of the region. Following that is an overview of the social and labour conditions faced by people working in the production of agricultural goods for export to the European Union. Finally, the challenges and demands voiced by agricultural workers' unions and small farmers' organisations at the beginning of the negotiations for an EU-CA Association Agreement will be summarised.



1 TRADE RELATIONS BETWEEN THE EU AND CENTRAL AMERICA

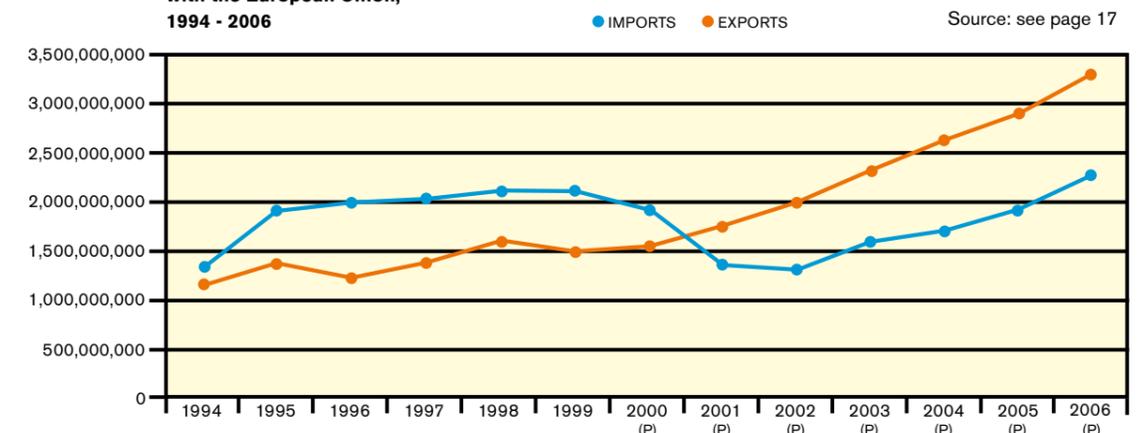
Trade between the EU and CA is characterised by the broad, unilateral access that the EU has traditionally offered Central American countries (without asking for anything in exchange) through the Generalised System of Preferences (GSP). This mechanism was provided for in the World Trade Organisation (WTO) so that developed countries could help developing countries to improve their participation in world trade. Central America has even benefited from the now obsolete "GSP drug regime", which gave duty-free access to a wider range of Central American and Andean Community exports to the EU market than the standard GSP.

However, the obsolete GSP drug regime and the current GSP Plus have not been exempt from criticism. They do not for instance include goods which, like sugar and bananas, are of extreme importance to CA. Another criticism is these preferences have been "eroded" by other trade agreements that the EU has signed with other countries, notably Chile and Mexico, or by the better treatment that the EU has unilaterally offered other regions, such as ACP or the Least Developed Countries.

These elements, coupled with the lack of exporting capacity and infrastructure in CA, as well as the fact that Central American countries (except for Costa Rica) primarily export agricultural goods (70%) and import manufactured goods, have caused the balance of trade between the two regions to shift from a surplus in the 1990s to a large deficit in the current decade. Agricultural exports with low added value (ie what is currently exported from CA to the EU) present two drawbacks: firstly, that demand for these goods grows slowly in comparison with that of manufactured products; secondly, that these goods suffer from significant trade distortions (in the form of subsidies, domestic support and tariff barriers) in the main international markets, thereby increasing their price instability with a general trend towards lower prices.

Graphic 1 shows that the above and other conditions¹ have caused Central American imports from the EU to grow at the average annual rate of 8.9% between 1994 and 2006, which is double the 4.5% annual average growth rate for exports. This in turn explains why the deficit in Central America's balance of trade with the EU reached in 2006 a record figure of US\$ 1,016 million².

GRAPHIC 1
Central America: Trade in goods with the European Union, 1994 - 2006



It must be pointed out that although this trend is unimportant for the EU since CA is only a marginal trading partner (representing only 0.4% of its exports), the same cannot be said for CA: with close to 10% of total trade, the EU is the region's third most important trading partner after the United States and Central America itself.

It is worth mentioning that there are substantial differences in the trade relations between the EU and each Central American country. Costa Rica has traditionally had a trade surplus with the EU. It is the European Union's main trading partner in Central America, with nearly 60% of the trade conducted by the EU in the region. Whilst Costa Rica and Honduras have maintained a relative balance between their imports to and exports from the EU, El Salvador, Guatemala and Nicaragua on the other hand have a large trade deficit with the European bloc (see Annex 1 graphics).



1.1 CENTRAL AMERICAN AGRICULTURAL EXPORTS TO THE EU

Central American agricultural exports to the EU, with the notable exception of sugar and bananas, consist mainly of a few products which are traded tariff-free, or with very low ad valorem tariffs such as prawns and shrimps, or with a specific tariff regime like rum.

In the case of Costa Rica, of the 173 agricultural products that it exported between 2004 and 2005 to the EU, the first 10 represented almost 90% of exports of this type (see Annex II). Even though at a first glance it would seem that Costa Rica has a high concentration of exports, it should be noted that it has the lowest in the region. On the other hand, out of these ten products,

only bananas face substantial tariff barriers. Of Costa Rica's top ten agricultural exports, the other product affected by trade barriers was shrimps. Thanks however to the GSP, the tariff that had to be paid within the allocated quota is zero or very low (3.6%) outside the quota.

With just two products (coffee and tuna) accounting for 91% of its agricultural exports to the EU, El Salvador has the most concentrated export trade in the region (see Annex II). The top ten agricultural exports account for 99% of total Salvadorean agricultural exports to the EU. As for tariff barriers, the only significant one is the quota on cane sugar and, to a much lesser extent, the low tariff imposed on shrimp exports outside the quota volume. Other products do not face trade barriers, either because the EU has not imposed tariffs or because El Salvador is exempt through the GSP system.

With one hundred product lines exported between 2004 and 2006, Guatemala has the second widest range of agricultural exports to the EU after Costa Rica. Exports are also highly concentrated, with the top ten agricultural products exported representing 91% of its total exports of agricultural goods (see Annex II). Important products like rum and bananas face tariff barriers.

Honduras is third after El Salvador on the list of Central American agricultural exporting countries to the EU, with its ten top exports accounting for 98.4% of total agricultural exports to the EU (see Annex 2). The highest import duties are paid for bananas with their specific tariff and molasses with their quota restrictions. Shrimps are the second export product and pay the low tariff for volumes outside the quota.

Finally, the top ten Nicaraguan exports account for 98.3% of the country's agricultural exports to the EU (see Annex 2). Shrimps, Nicaragua's second export product, carry the same 3.6% tariff outside the duty-free quota, whilst exports of cane sugar and rum face significant tariff barriers.

In general terms, it can be concluded from the above analysis that AA negotiations with the EU have the potential to bring immediate benefits in relation to Central American exports of sugar, bananas and, to a certain degree, shrimps, as we are about to see.

Although the EU has protected its domestic banana production with high tariffs and a quota system from higher cost producing countries like Spain, France and Portugal, it has recently been obliged to offer wider mar-

ket access as a result of the WTO Dispute Settlement Body ruling, following a complaint by Latin American countries. It must be pointed out that the EU has offered ACP countries continued duty-free access to its market within the framework of the Economic Partnership Agreements (EPAs) that are currently being negotiated with these countries³.

Similarly, a recent WTO ruling concerning a case presented by Brazil has obliged the EU to reform its Common Agricultural Policy and eliminate part of its domestic support in the form of subsidies to sugar farmers. This measure has reinforced the trend in the EU towards the dismantling of trade-distorting sugar policies which affect sugar cane exports from competitors such as Latin American countries. Again, the EU has offered ACP countries, within the framework of the EPA, to open its sugar market after a transition period⁴.

The shrimp and lobster case is somewhat peculiar because even though AA negotiations could eliminate current tariff barriers, access to those markets is limited by the Common Fisheries Policy (CFP). Thanks to the CFP, the EU fishing sector has benefited from a series of government subsidies that aim to maintain falling levels of competitiveness: subsidies, minimum price policies and agreements that guarantee access of EU fishing boats to high-potential waters belonging to countries outside

the EU. Since 2003, the EU has been conducting a process of restructuring of the CFP which could result in greater access to this market, although the scope of the reform would fall outside the ambit of the AA. Other major Central American agricultural exports to the EU would not be significantly affected in terms of trade-flow, given that, as already mentioned, they can already be freely traded.

In order to have an idea of the impact that the AA could have on the economies of Central American countries and on the workers employed in these sectors, the amount of employment it could potentially generate is shown on table 1. Given the limits of working with the statistics of most of the countries of the region, the calculation made includes total employment in the activities favoured by the Agreement, regardless of whether these produce for the European market or not. In spite of this limitation, it is not incorrect to state that all these sectors would directly or indirectly benefit from the AA, since a general increase in demand in a given sector would benefit all the players involved.

Table 1 shows that trade liberalisation would most benefit sugar cane in El Salvador, Guatemala and Honduras - as it would have an immediate, positive impact on these countries' employment and revenue - bananas in Costa Rica and shrimps in Nicaragua.

TABLE 1
Central America: Direct employment generated by activities that would potentially benefit from the AA, for different years (people directly employed in the sector)

Sources: see page 17

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Sugar cane	25.000 ¹	37.000 ²	60.000 ³	25.000 ⁴	8.405 ⁵
Bananas	34.232 ⁶		6.598 ⁷	6.000 ⁸	3.500 ⁹
Shrimps	1.800 ¹⁰		5.000 ¹¹	12.000 ¹²	16.000 ¹³

1.2 EU AGRICULTURAL IMPORTS AND THE COMMON AGRICULTURAL POLICY

One of the effects of particular importance for the social sectors concerned with sustainable development in Central America that needs to be assessed in view of the AA is the opening of the agricultural sector in Central America. The reason for this is that although the EU market is quite open, high tariffs and quotas are imposed on sensitive products from Central America.

As Table 2 shows, Central American countries have a series of sensitive products in their agricultural sector; a fact that becomes evident from the number of tariff quotas that have been bound after they joined the WTO back in 1995. On the whole, it can be observed that Costa Rica and Guatemala - with 27 and 22 respectively - are the countries with the largest number of tariff quotas, whilst Honduras, which had no fixed quotas, and Nicaragua, which has nine fixed quotas, are the countries with the least. As far as sensitive products are concerned, there are similarities between the countries that established tariff quotas. The most notorious one is that all countries protected with quotas their sugar, dairy, poultry, bovine meat (except in Costa Rica) and grain sectors - particularly rice and beans (except in El Salvador) and maize (except Nicaragua).

Similarly, CA countries established very high import duties (above 85%) known as tariff peaks and tariff spikes to protect their sensitive agricultural sectors (see Table 3). In this group meat, poultry, dairy and oil products as well as some grains such as rice, common beans and wheat stand out.

If the previous information is compared with actual imports of agricultural products from the EU to the CA, it can be observed that there is a wide range of European products coming into the Central American market, which are competing directly with or replacing regional products in spite of tariff barriers (see coloured rows in Table 4).

Current agricultural imports of sensitive products from the EU to CA could increase with the AA, since the EU will most probably request an opening of the Central American market, in a similar way that the United States did with the Dominican Republic in the CAFTA free trade agreement. Additionally, this trend could be accentuated if we take into account that the EU is the WTO member which allocates most public funds to subsidy payments to its farmers, especially in the form of trade-distorting subsidies.

For example, the WTO Secretariat estimates that 90% of export subsidies - the most distorting type of subsidies in international trade - paid by the 150 country members originate in the EU. These export subsidies are paid for products such as wheat and wheat flour, coarse grains, rice, sugar, butter and butter oil, skim powder milk, cheese, other milk products, beef meat, pig meat, poultry meat, eggs, wine, fresh and processed fruits and vegetables, alcohol, and "incorporated products"⁵.

Similarly, the EU is the WTO member that allocates the most resources to so-called "domestic support", which is nothing other than direct subsidies paid to farmers to increase their profitability; farmers who would otherwise not survive the competition with more competitive producers as can most often be found in most Latin American countries. Graphic 2 lists the products that qualify for this kind of assistance.

It must be pointed out that even though some products which qualify for public subsidies in the EU are not produced in CA and for this reason we, in Central America, benefit from paying a reduced price, other products such as corn (maize), sugar, milk, beef, pork and poultry meat, are produced in CA and are, furthermore, sensitive products. For this reason, the Common Agricultural Policy of the European Union would potentially affect a large number of farmers who produce for the national markets if Central America opens its agricultural market with the Association Agreement, whilst the EU continues to subsidise its domestic production.

TABLE 2
Central America: number of tariff quotas by country and category of products

Country	Grain	Oil-seed products	Sugar	Dairy products	Meat products	Eggs	Fruit & Vegetables	Tobacco	Agricultural fibres	ALL
Costa Rica	3	-	1	13	6	1	1	1	1	27
El Salvador	1	-	1	4	4	-	-	1	-	11
Guatemala	6	7	1	1	3	-	3	1	-	22
Nicaragua	3	1	1	1	2	-	1	-	-	9
C. America	13	8	4	19	15	1	5	3	1	69

Source:
see page 17

TABLE 3
Bounded Tariff Peaks for CA agricultural products when joining the WTO

Country	Tariff Peaks (%) ^A
Costa Rica	274 Meat and edible poultry offal and its preparations 111 Milk products
El Salvador	182 Meat and edible poultry offals 115 Oils 103 Frozen bovine meat and yellow maize 97 Tobacco 92 Sugar
Guatemala	286 Meat and edible poultry offal 268 Corn oil 258 Cotton seed and sunflower oil 257 Palm oil 178 Cane or beet sugar 154 Apples and pears 150 Grapes, wheat flour, flour of mixed grain, meslin (mixture of wheat/rye) 125 Durum wheat 123 Common bean 118 Mixed grain and meslin 115 Dairy products 102 Broad beans 100 Rice, sorghum and tobacco
Honduras	None, all tariffs bound at 35%
Nicaragua	220 Frozen poultry parts 85 Dairy products

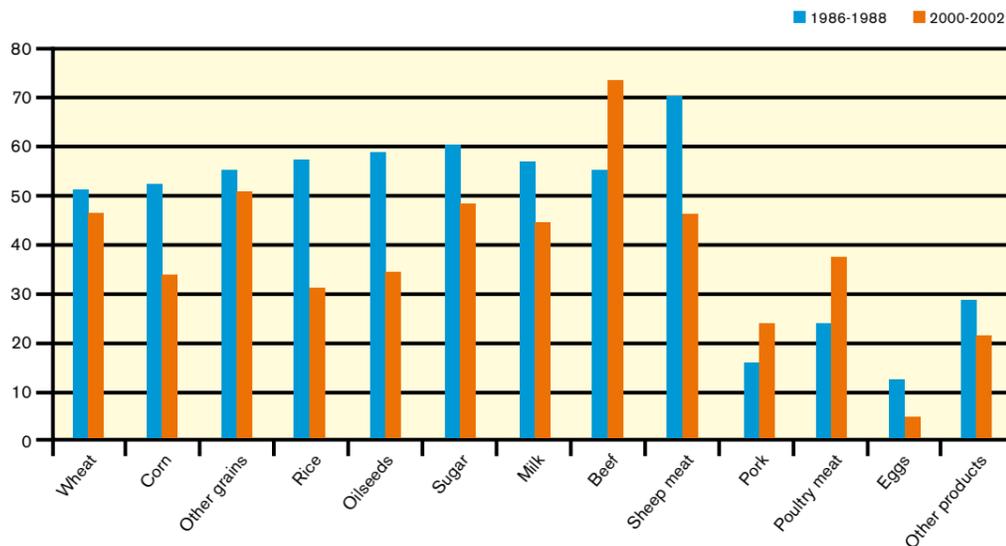
Note:
^ATariff peaks are duties over 85%

Source:
see page 17

Sub-item	Description	2004 - 2006	% of agricultural imports	% accumulated
210690	Food preparations	17,958,675	10%	10%
220830	Whisky	16,121,460	9%	19%
190110	Food preparations for children conditioned for retail sale	15,400,867	8%	27%
110720	Toasted malt	11,702,459	6%	33%
040221	Milk and cream without sugar or any other sweetener	8,541,829	5%	38%
060120	Bulbs, onions, tubers, roots and turnip-rooted bulb, Turions, rhizomas or rootstock in vegetation or in bud/flower, plants and chicory root	6,536,697	4%	42%
220421	Fresh-grape wine in containers with less than or 2 l capacity	5,565,764	3%	45%
040620	Cheese of any type, grated or in powder	4,667,159	3%	47%
230990	Other food preparations used for animal feed	4,618,566	3%	50%
190190	Other malt extract, food preparations from flour, semolina, starch, potato starch	4,384,248	2%	52%
150990	Other olive oil	4,246,222	2%	54%
220290	Mineral still and sparkling water with added sugar	3,717,118	2%	56%
110710	Non-toasted malt	3,557,217	2%	58%
030231	Albacore tuna or white tuna (Thunnus alalunga)	2,944,834	2%	
150910	Virgin olive oil	2,723,813	1%	60%
120991	Vegetable seeds, including wild vegetable seeds	2,389,821	1%	61%
030342	Yellow-fin tuna (Thunnus albacares)	2,258,307	1%	64%
040590	Butter and other milk fat	2,019,107	1%	65%
220860	Vodka	1,990,571	1%	66%
220870	Spirits	1,793,245	1%	67%
210111	Concentrated coffee extracts and aroma	1,762,558	1%	68%
040690	Other cheeses	1,642,995	1%	69%
110313	Groats and corn meal	1,579,940	1%	70%

TABLE 4
Central America: main agricultural products imported from the European Union, 2004-2006

Source: see page 17



GRAPHIC 2
European Union: estimate of assistance to farmers (%)

Source: see page 17

Similarly, CA farmers who produce for the international market are affected because the CAP provides an incentive to agricultural production and increases global supply, thereby reducing the international prices Central American farmers receive for their products.

In order to estimate the magnitude of the negative impact that the opening of the Central American market for subsidised agricultural products from the EU would have, it is necessary to highlight the importance of agricultural activity in Central America. Food crops and cattle farming, forestry and fishing are important sources of employment and production in Central American countries. Agriculture represents a source of employment for at least 14% of the economically active population in a country like Costa Rica and for up to 35% in Honduras, with an important participation of women in direct employment in agricultural activities (see Table 5).

Given that the above employment figures include both export activities and production for the local market, it is

important to consider the amount of employment that is generated by those activities for which most or all their production goes to the internal market, like poultry meat, beef and cows' milk, pork, maize and horticultural products. In Costa Rica alone, these activities generate a large number of jobs, disaggregated as follows: 38,214 dairy and beef farmers, 12,426 pig farmers, 20,000 poultry farmers, and 14,588 basic grains farmers⁶.

It should be stated that, although all the above farmers will be affected by market opening, they will also have the opportunity to change to other more profitable activities, such as those activities that will be the "winning" activities with an AA. However, not everyone will have the capacity to change. It is therefore essential to have access to minimum conditions like education and state support to convert production together with the respective training, all of which is usually non-existent in Central America⁷. Furthermore, as has already been mentioned, given that the EU market is currently largely open to Central American exports, the AA will not result in further export opportunities.

GRAPHIC 3
Central America: Agriculture's contribution to GDP, 1990-2002

Source: see page 17

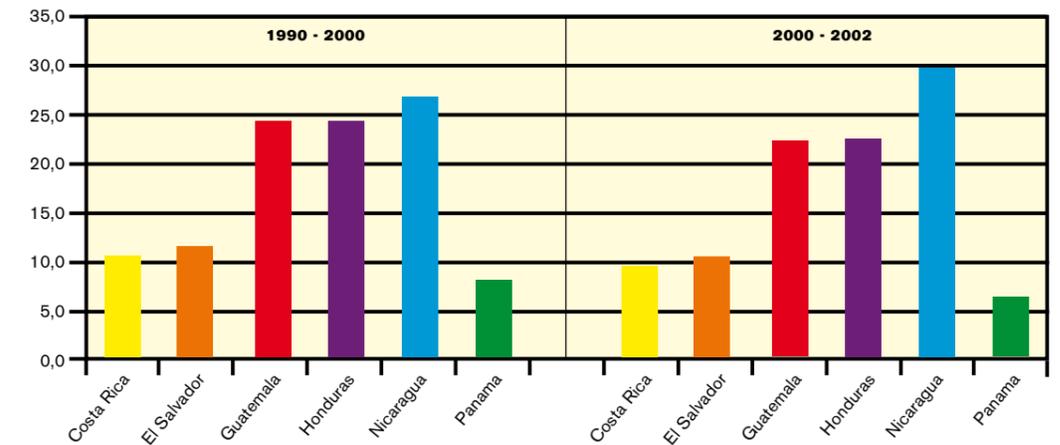


TABLE 5
Central America: Active population by sector and gender, 2004

Source: see page 17

	Costa Rica		El Salvadore		Honduras	
	Men	Women	Men	Women	Men	Women
Agriculture, hunting and forestry	215562	21700	433000	32700	793600	57500
% of total active population	19.7	3.9	29.0	3.2	48.5	7.2
Fishing	7223	843	15400	2000	6200	200
% of total active population	0.7	0.2	1.0	0.2	0.4	0.0
Total active population	1092973	560297	1493900	1032300	1637500	799700

2 INTERESTS AND THE EU'S NEGOTIATING MANDATE

The EU authorities have publicly announced their intentions for the international trade negotiations in which they are involved. Those considered most important to CA will be mentioned briefly⁸.

Firstly, there is a major shift in EU policy away from multilateral agreements and towards bilateral agreements as its way of advancing trade liberalisation and integration. This shift reduces the possibility for developing countries to obtain asymmetric preferential treatment vis-à-vis the European bloc, given that they have a weaker position in bilateral or subregional negotiations than in the negotiations in the framework of the WTO where larger coalitions or stronger groups can be formed.

Secondly, the EU has openly declared that in its bilateral trade agreements it will pursue the opening of external markets through the elimination of tariff and non-tariff barriers. The latter involves the modification, via trade agreements, of national trade rules or legislation. In addition, the EU has stated that it seeks to guarantee access to resources, energy, metals and raw materials through its agreements.

Finally, the EU aims to guarantee its access to the "new growth areas", namely markets for services, increased intellectual property rights protection, foreign investment protection, government procurement, and influencing the rules of competition of its trading partners.

In the specific case of the negotiations with CA, the negotiating mandate faithfully sticks to the global strategy described above⁹. In the case of trade of goods, the mandate literally states that the aim of the Agreement "will be to eliminate import duties and levies having an equivalent effect on both parties over a period of time not exceeding 10 years, with a view to offering similar market access opportunities on both sides at the end of this period" and that "Specific provisions will regulate products identified as sensitive, for which for instance, longer transitional periods or partial liberalisation commitments with a review clause will be foreseen".

Concerning negotiations in services, the EU proposes to "provide for the progressive and reciprocal liberalisation of the establishment and trade in services with the aim of ensuring a high level of market access opportunities". This will be implemented "taking into account the respective levels of development of Central American countries... [they] will be allowed a certain measure of flexibility in overall terms as well as in individual sectors and sub-sectors". However, the mandate explains that "any transitional period should in principle not exceed 10 years".

Concerning intellectual property rights, the mandate establishes that "the Agreement will include rules to ensure effective and adequate protection and enforcement of intellectual property rights (IPR) [...] with commitments to adhere to multilateral agreements in this field". Similarly, the EU proposes provisions that "effectively recognise and protect ex officio geographical indications, including the phasing out of generic denominations".

Interestingly, the mandate also includes an innovation that Central American countries should use to their advantage. It introduces a paragraph called Trade and Sustainable Development, in which it is stated that "the Agreement would ...include mechanisms to support positively the effective domestic implementation of International Labour Organisation (ILO) core labour standards, as defined in the 1998 ILO Declaration of Fundamental Principles and Rights at Work"; and that the Agreement "will foresee the monitoring of the implementation of these commitments through, inter alia, review and public scrutiny as well as promotional instruments and trade-related cooperation activities".

3 SOCIAL AND WORKING CONDITIONS OF THE POPULATION INVOLVED IN ACTIVITIES RELATED TO THE EXPORT OF AGRICULTURAL GOODS TO EUROPE

In general terms, all labour organisations consulted for this study blame flaws in the enforcement of national labour legislation and the ILO conventions for the daily working conditions they experience in the production of agricultural goods for export to the EU. Amongst the most common problems faced by workers are victimisation for belonging to a trade union, obstructions to the exercise of freedom of association, and exploitation in the workplace. With questionable practices.

Several workers representatives and various denunciations from the banana¹⁰, pineapple¹¹ and tuna¹² sectors illustrate that problems related to trade union freedom are still common in plantations and processing plants. The most common company practices are pressure and victimisation to prevent workers from defending their legitimate interests or to resign from their jobs. There are cases of threats or dismissals of trade union representatives who are charged with failing to fulfil the tasks for which they had been employed.

Concerning obstructions of the right to join a trade union, representatives consulted and the denunciations referred to above, put the blame on corporate practices, such as threatening workers with dismissal for wanting to join a trade union, or closing plantations where there are trade unions to relocate to new areas where there are no unions present. There are other obstructions, such as preventing the entrance to the plantation of trade union representatives who aim to inform workers about their activities or corroborate on the ground com-

pliance with the labour standards that national laws and ratified international conventions have established.

Workers in the agricultural sector in question have also denounced that in some plantations there are diverse problems related to the exploitation of labour. The list includes: having to work very long working hours, beyond the 8 hour-day without the due overtime payments; insufficient time to eat or use toilet facilities; lack of adequate sanitary facilities; reductions in real wages; and increased work-loads without the corresponding remuneration.

As for child labour, the outcome of several studies¹³ as well as official reports¹⁴, have documented the presence of children who work in agricultural export activities. These reports indicate that in CA and the Dominican Republic almost half of the under-age workers work in agriculture (47.9%), 20.5% work in the commercial sector, 13.9% in services and 11.4% in manufacturing¹⁵. For boys, 58% work in agriculture, 15.1% in commerce, 9.3% in services and 9% in manufacture. For girls, the commerce sector is the main source of employment, with 33.8% of the total, followed by agriculture with 23.8% and 17.2% in manufacturing.

As a general rule, children are subjected to worse labour conditions than adults because they are outside the law. This prevents them from signing work contracts and from benefiting from the rights that they, as workers, are entitled to in the areas of health, social benefits, etc. Furthermore, children tend to undertake tasks with a high level of risk like cutting cane. For these reasons "it is estimated that approximately 80% of the children and young workers are involved in activities which should be abolished"¹⁶.

The trade union leaders consulted also expressed their concerns about governmental practices which, in their opinion, hinder decent working conditions. Among the main concerns are some provisions such as in Honduras facilitating differential wage payments by region or wage "zonification", and thereby triggering a "race to the bottom" in the minimum wage rates as companies, alleging the need to make cost reductions, relocate to areas where lower wages are paid.

In all Central American countries a marked trend towards the "flexibilisation of labour" can be observed. This often entails the sub-contracting of labour. Through sub-contracting workers lose many of their rights as workers because they are then "formally" employed under temporary contracts, when, in practice, these

temporary contracts are constantly renewed. Sub-contracting means that many workers do not have a direct relationship with the large companies involved in the marketing of the products, when it is these companies that have a closer relation with the consumer markets where most of the value in the chain is concentrated. This practice allows such companies to keep their name clean when it comes to complaints about labour violations, even though their labour is supplied by companies with a questionable record-keeping practices¹⁷.

In El Salvador, trade unions denounced the fact that, after the ratification of ILO conventions 87 and 98 under threat of losing preferences for tuna exports to the EU under the GSP Plus scheme, the government took measures at national level to hamper the creation and recognition - even the very existence - of trade unions¹⁸. Additionally, after the failure to raise national minimum wages between 1998 to 2002, an increase of between 5 and 10% was implemented for all sectors except agriculture. Some recent adjustments have been made to the minimum wage in agriculture, but they do not compensate for the long period without any increase. Trade unions are therefore accusing the government of being in breach of ILO Conventions 99 and 131 on minimum wage fixing mechanisms for agriculture¹⁹.

In summary, the conditions and content of denunciations cited above are clearly illustrated in the low wages, long working hours and low rates of trade union membership in the agricultural sector in Central America, in comparison with the rest of the world.



4 POSITIONS OF AGRO-INDUSTRIAL WORKERS' UNIONS AND SMALL FARMERS ON THE ASSOCIATION AGREEMENT BETWEEN CENTRAL AMERICA AND THE EU

In this section a brief description will be made of the main arguments outlined by representatives of civil society organisations in relation to the challenges, opportunities and concerns in view of the AA. In order to present this analysis, the arguments have been grouped into three areas: general issues surrounding the Agreement, the negotiation process, and sectoral issues.

In the first area concerning issues of general interest in the Agreement, a range of trade union representatives expressed their concerns over the implications of the EU's wish to ensure its access to resources, energy, metals and raw materials. In the words of a representative from the farmers' organisations, the Agreement *"aims to take possession of the continent that has the best future prospects. Which continent are we talking about? The American continent, of course, which is endowed with all resources necessary for the survival of the rest of the world"*²⁰. From that perspective the AA is not an instrument to assist the process of achieving sustainable development, but is merely an instrument that provides the minimum conditions and guarantees for EU companies to operate in Central America, in a way which protects their corporate interests. In this scenario, Central America's room for manoeuvre will be very limited as it would only be able to pursue its own development if it suited the EU's interest in securing access to resources. Matilde Gómez from the Rural Women's Network in Costa Rica and Iris Munguía from COSIBAH, Honduras, are concerned about the use of natural resources like water and the natural biodiversity, which are currently abundant, in the long term. Munguía went further to express the fear that scarce resources

such as water will be the cause of future wars, so the EU seeks to secure its future access to it. Along the same lines, Adán Ricardo Calderón Barahona from the trade union confederation in El Salvador (CSTS) emphasised the fact that all Central Americans need to realise that there are real interests *"behind the curtain"* in the negotiations on the Agreement which are strategic for both parties. Jaime Antonio Rivera from FESTRASPE, El Salvador, observed that the threat of losing essential resources makes any other sectoral interest pale into insignificance.

As for priorities in the three areas of negotiation (political dialogue, development cooperation and trade), Felix Cristiá from the Central American cooperative sector expressed their concerns for the change of position by the European Parliament on 14th March 2007 in which the trade component was given priority over the political dialogue and development cooperation in the negotiations with CA²¹. This concern was backed up by Rolando Gonzalez Obando from SITRAP, Costa Rica, and representatives from CSTS El Salvador, who regretted that in spite of the widespread need for development cooperation in Central American countries, the negotiations on the Agreement are being seen by the EU in terms of "trade, trade and trade". Representatives from SITRAP, Costa Rica, also referred to the fact that trade agreements such as CAFTA-DR with the USA and the bilateral agreements that the EU has already signed with Mexico and Chile and plans to do with Central America are based on values that do not correspond with what Central America requires. The values proposed by the EU in the negotiating mandate give trade a more important role than life itself. This cannot be of any benefit for the CA region.

As for the negotiation process, all civil society organisations approached in the study expressed their concern over the lack of conditions for participation and transparency. They observed no differences with the CAFTA-DR negotiations with the USA on this level and advocated for a more transparent and participatory process.

On the issue of labour standards, trade unions representatives expressed their concern that the Agreement does not support the process of strengthening workers' rights. Carlos Salazar from SITRAP Costa Rica and Adán Ricardo Calderón Barahona from CSTS El Salvador think that if, in the best of cases, the Agreement were to include the obligation to respect the national labour legislation as well as ILO core labour standards, it would be proposing compliance with the very same legislation with which the corporate sector and the

governments in CA have failed to comply for decades. In other words, the Agreement would not contain any innovative element in this respect. Gilbert Bermúdez from COLSIBA stated his concern over the fact that the current trend to certify labour standards using private companies does nothing to reduce abuses of workers' rights. Additionally, Bermúdez criticised the mechanisms contained in the trade agreements and tariff preferences schemes pertaining to the access to trade sanctions in case of breach of the labour laws. By way of example, he cited the slow and difficult ILO procedures to sanction evident violations committed by Central American governments, violations which should justify their exclusion from the EU's GSP Plus scheme.

Manuel Sevilla Zelaya from SITRAPROADASA, Honduras, is concerned that the Agreement will open a legal back door that could weaken trade unions in his country. His concern is based on the fact that, at present, the only workers' association allowed by law is a trade union, but what would happen if the Agreement contains the obligation to ratify and comply with conventions that allow other types of labour organisation?

Small farmers are very concerned that, in the medium term, they will have to compete on unequal terms with EU farmers, if CA decides to open its agricultural markets without having solved first problems related to infrastructure and government stability and support, and if the EU decides not to dismantle its generous export subsidy schemes and cut the domestic support it offers under the CAP. This would lead to the collapse of important and sensitive agricultural sectors with the consequent unemployment, poverty, violence and social degradation. SITRAP representatives suggested that, if the EU did not cut its own subsidies under the CAP, it would lead to inverse asymmetrical treatment whereby the poor farmer from Central America would have to compete with the rich farmer from the EU in conditions of free trade. This threat of *dumping* led representatives from small farmer associations like Enrique Fallas from the Mesa Nacional Campesina (national peasant table) and Gerardo Varela Villalobos from SUPPAS, both in Costa Rica, to propose refusing to open Central American agricultural markets to subsidised imports from the EU unless governments in the region were prepared to guarantee the necessary assistance and support measures for those small farmers affected. These measures should help farmers convert their production, improve their access to information about the opportunities on offer or improve the productivity and thereby enable them to compete.

Additionally, Enrique Fallas and Lorenzo Cambrero from the Nicaraguan national farmers' union (Unión Nacional de Agricultores, UNAG), CSTS and SITRAP members expressed their concern about the uncertainty over the future of food security in the region should the market be left free to decide. This would spell the end of national production of basic staple crops that have traditionally been grown efficiently by national farmers who will not be able to survive competition from cheap subsidised imports. Cambrero went further to say that the Agreement should respect rural people and their communities, indigenous populations, as well as their diversity and traditional lifestyle.

Finally, workers from the sugar cane sector also expressed their concerns vis-à-vis the process of regional integration proposed as a precondition for CA to start negotiating the AA, given the differences in terms of capacity and competitiveness of the industry across the region. Noé Nerio, coordinator for the network of trade unions in the sugar sector in CA, said that if this is not taken into account, large farmers in countries like Guatemala could seriously harm producers in other countries.



5 SPECIFIC PROPOSALS

When it comes to their proposals, as in the previous section, organisations looked at both the overall process as well as their sectoral interests.

Firstly, all organisations consulted agreed that sustainable development must be the top priority in the Agreement and that key issues for Central American society like poverty eradication, the strengthening of democracy and respect of human rights need to be addressed. All organisations rejected out of hand “any trade agreement that is based on the neoliberal criteria of free trade” whilst pretending that it is about “fair and balanced trade”²². UNAG’s president, Lorenzo Cambrero, added that Central America does not need an AA with the EU, because it already exports most products tariff-free. In practice therefore, he argued, there is already free trade from CA to the EU, but not necessarily the other way round.

A group of trade union organisations both from the EU and CA advocate that: “Agreements may not be understood as mere agreements for free exchange, but as real ‘Economic, Political, Social and Cultural Partnership Agreements’ and thus must contain the relevant chapters on political dialogue, technical cooperation and trade, in addition to a chapter that incorporates social and labour rights including the core ILO Conventions, and reflects the most advanced national legislation from the signatory countries in either regional group”²³.

The organisations propose that the Agreement take into account the differences in terms of development and production capacity between the EU and CA. In this way, trade could be an important means for achieving such objectives, but it is not an objective or a priority per se, as current proposals by the EU suggest (see section above).

SITRAP representatives from Costa Rica also mentioned the importance of evaluating other integration experiences between Latin American countries, like that of the Bolivarian Alternative for the People of Our America (ALBA in Spanish) or experiences that allow Latin American countries to relate to other economic blocs as a much wider group.

One concrete proposal - reaffirmed by trade union leaders like Iris Munguía from COSIBAH, Honduras - is that the trade in goods can promote the priorities put forward by the social organisations, by making room for fair or alternative trade initiatives. This would be possible if the Agreement gave preferential treatment (free of quotas and tariff or non-tariff barriers) to goods produced under more favourable social and environmental conditions. That is, goods whose production processes respect core ILO conventions, involve fair benefit sharing similar to that of a farmers’ cooperative, and comply with national environmental legislation and international environmental conventions.

Aquiles Rivera Arias from SITRAPINDECO, Costa Rica, proposed that the Agreement should sanction companies - rather than the states - that do not comply with labour standards.

These proposals coincide with schemes such as “Clean Production” proposed by Castro and Carazo²⁴ to combat the lack of formal forms of contracting labour in Costa Rica. Within the proposed scheme, Central American states should develop a system of assistance and promotion for production that is social and environmentally ‘clean’. Governments could create a system of “rewards and sanctions” which would guide companies through the transition period to methods of production that comply with a series of labour, social and environmental criteria.

As concerns labour standards, companies involved in production should at least comply with core ILO standards, as well as fulfilling their minimum social security contributions. Labour standards to be included would be:

- 1 the elimination of discrimination in respect of employment and occupation (for gender, disability, religion, ethnic background, sexual inclination, etc.);
- 2 the effective elimination of child labour;
- 3 the elimination of all forms of forced labour or compulsory work,
- 4 the freedom to join a trade union and the effective recognition of the right to collective bargaining;
- 5 payment of social security contributions.

In the environmental area, standards would favour production:

- 1 with a minimum of impact caused by all kind of waste, including the recycling and reutilisation of waste;
- 2 with the least possible use of raw materials;
- 3 with the maximum efficiency in environmental management;
- 4 with the use of alternative sources of energy and/or least possible use of fossil fuels;
- 5 with the use of appropriate technology;
- 6 with the minimum possible impact on the ecosystems;
- 7 with organic, non-transgenic production;
- 8 with the recovery, conservation and sustainable use of forestry and water resources, care of the landscape, soils and agricultural ecosystems
- 9 of safe and quality of food products.

Finally, in the area of social standards, production schemes would be promoted

- 1 with the least impact on the local cultures;
- 2 with fair and humane generation and distribution of wealth.

To ensure the implementation and sustainability of such an alternative system of production, the proponents put forward the need to establish a series of indicators on each of the areas of action. They propose the definition of mechanisms of certification, monitoring and evaluation of the progress made in respect of a clean production, with differentiation between companies involved in international trade and those involved in the production of non-tangible goods. Finally, there is need to establish a group of organisations responsible for certifying, financing and providing services to guide companies in the process of conversion towards more socially and environmentally friendly production systems.

The organisations consulted unanimously expressed the view that the process of negotiation of the AA needs to be transparent and participatory. The organisations are tired of being asked their opinion and see many of the

consultation processes as a means of giving legitimacy to the results, which are often at variance with what they had expected or proposed. They propose a more inclusive process in which their own governments take their opinion and concerns into account and include them into the outcome of the Agreement. Gilbert Bermudez from COLSIBA thinks it is necessary that the EU institutionalise mechanisms of civil society participation and communication with the counterparts in Europe before, during and after the negotiations. He also added that the civil society organisations in Central America require political support to enable communication with the EU decision-making bodies, such as the Council of Ministers. Financial support to facilitate this is also needed.

On a similar note, given the outcome of the trade negotiations with the United States, Lorenzo Combronero argued that there is need for Central American negotiators to be held accountable for their decisions and to be sanctioned for any substantive losses incurred by any sector of the CA economy. He proposed the need to elaborate a code of ethical conduct for the negotiators of trade agreements.

With reference to their experience in denouncing the lack of compliance with national labour law and core ILO standards, Gilbert Bermúdez (COLSIBA) proposed that the Agreement include mechanisms to streamline what he called “cumbersome” procedures for compliance with standards and avoid situations in which trade or investment be promoted at the cost of workers’ rights.

On the same issue, a group of trade union organisations from CA and the EU suggested the need for the Agreement to include the following:

“In order to ensure effective enforcement of ILO conventions, the future Association Agreement must enshrine the commitment of the parties to reinforce (providing the necessary economic and legal means) the capacity of the ILO in Central America to verify and denounce violations of such standards and conventions”²⁵.

Also in the area of labour rights, CSTS recommended that compliance with labour rights by Central American states should be considered a requirement for the granting of development cooperation funds from Europe.

Representatives from small farmers’ organisations, such as the Mesa Nacional Campesina and the Nicaraguan National Farmers’ Union, pointed out the need for the Agreement to permit CA governments to implement mechanisms and programmes (training and support for farm conversion) that help farmers access opportunities that already exist under the broader GSP and which are not being used or new opportunities that could be included in an Association Agreement better adapted to the real needs of small and medium-scale farmers in Central America.

The final proposal is that CA and EU governments facilitate the linking of farmers from the two regions with a view to seeking consensual solutions to the process of integration between both regions.

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Own graph based on figures by SIECA.

TABLE 1

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TABLE 2

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TABLE 3

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TABLE 4

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GRAPHIC 2

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GRAPHIC 3

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NOTES

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TABLE 3

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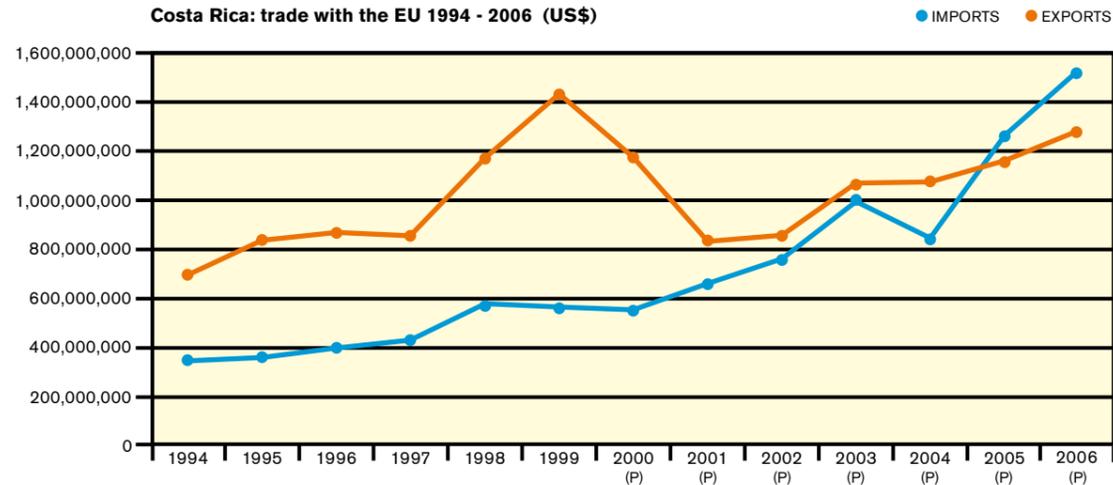
²⁵ Op. Cit. 24.

Annex 1

Trade Relations between Central America and the European Union

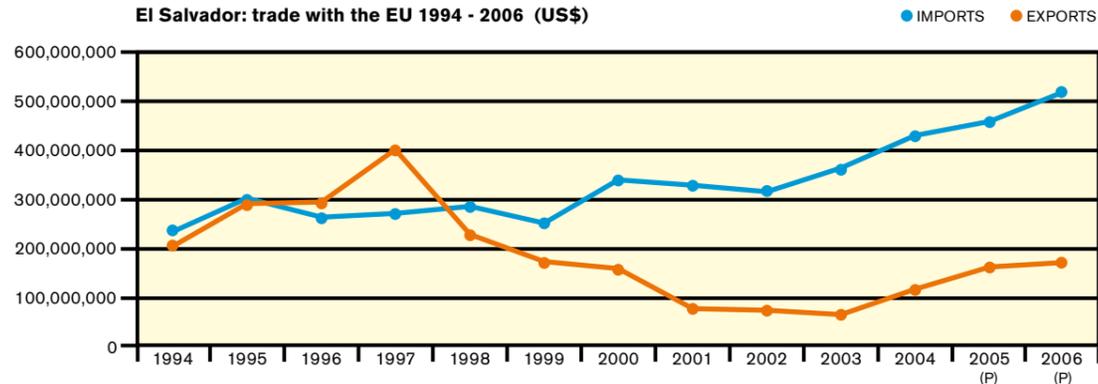


GRAPHIC A1
Costa Rica: trade with the EU 1994 - 2006 (US\$)



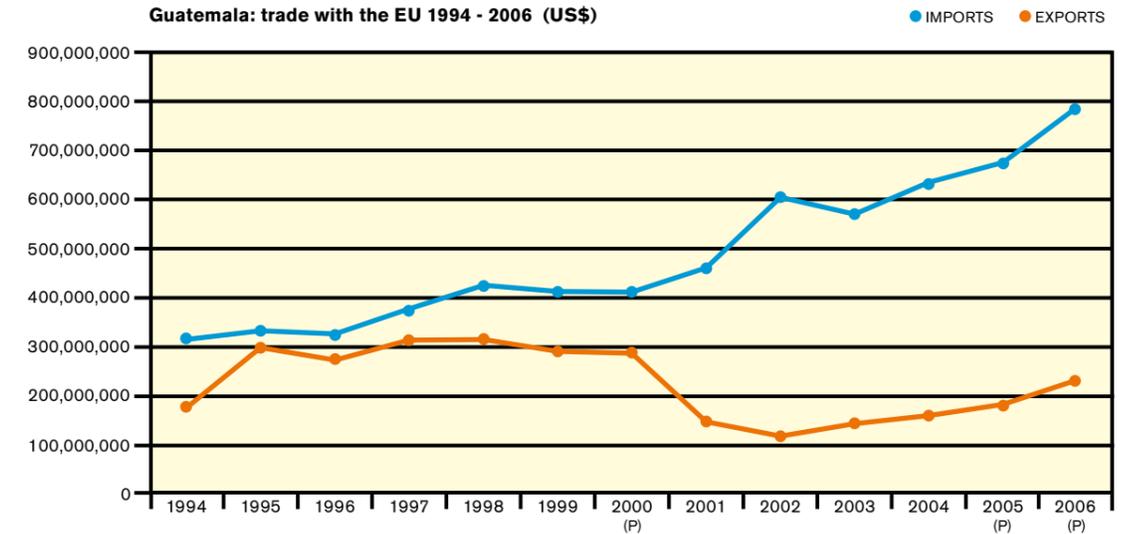
Source: own elaboration based on figures by SIECA

GRAPHIC A2
El Salvador: trade with the EU 1994 - 2006 (US\$)



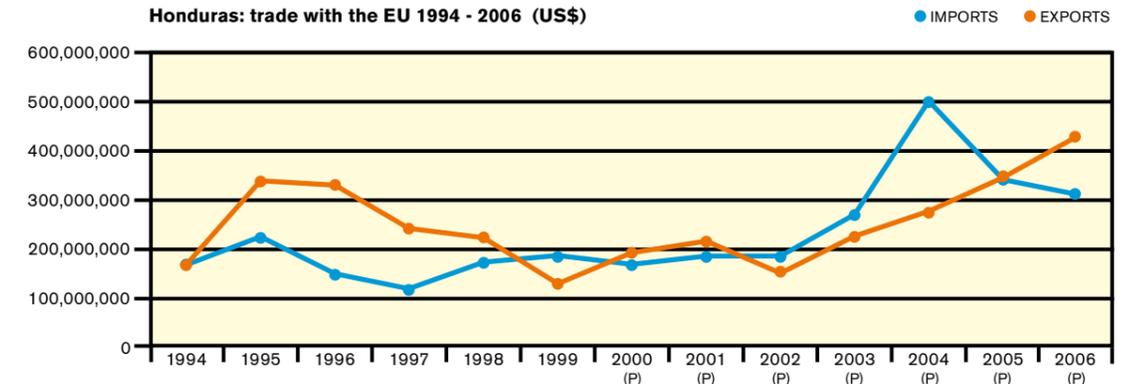
Source: own elaboration based on figures by SIECA

GRAPHIC A3
Guatemala: trade with the EU 1994 - 2006 (US\$)



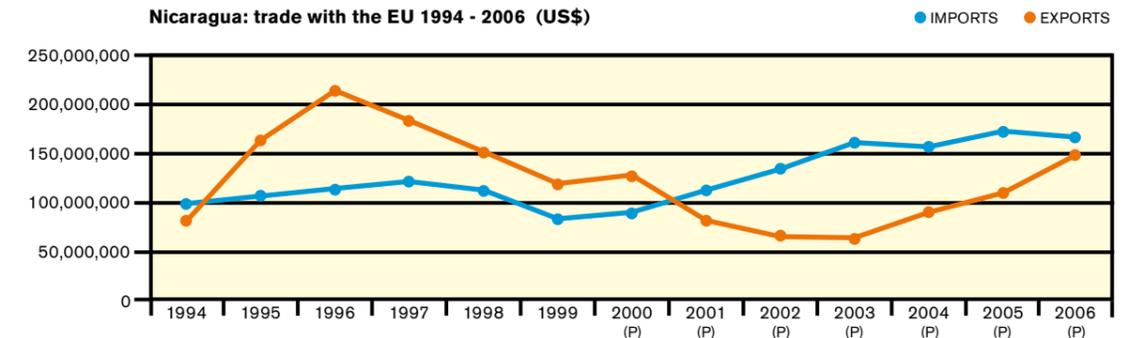
Source: own elaboration based on figures by SIECA

GRAPHIC A4
Honduras: trade with the EU 1994 - 2006 (US\$)



Source: own elaboration based on figures by SIECA

GRAPHIC A5
Nicaragua: trade with the EU 1994 - 2006 (US\$)



Source: own elaboration based on figures by SIECA

Annex 2

Trading status of the main agricultural products exported from Central America to the European Union

Costa Rica: Main agricultural exports to the EU 2004 - 2006

Sub-item	Description	2004-2006 Exports US\$	% of total agricultural exports to EU	% accumulated	Tariff
080300	Bananas, fresh or dried	262000275.7	35.9	35.9	€176 metric ton (MT)
080430	Pineapple	163875838.7	22.5	58.4	MFN ^A 5.8% exempted by the GSP ^B
090111	Non-decaffeinated coffee	75203139.33	10.3	68.7	MFN 0%
060491	Fresh (foliage)	46349587.33	6.4	75.0	MFN 2% exempted by the GSP
080719	Other melons	29462578.33	4.0	79.1	MFN 8.8% exempted by the GSP
060290	Other foliage	25126084	3.4	82.5	MFN 6.5% exempted by the GSP
200799	Other jams, jellies and marmelades, purees and fruit pastes	19031375	2.6	85.1	MFN 24% exempted by the GSP
200891	Palm hearts	13530258	1.9	87.0	MFN 10% exempted by the GSP
200940	Pineapple juice	8672245	1.2	88.2	MFN 15.2% exempted by the GSP
030613	Shrimps, prawns and other natantian depods	8354471	1.1	89.3	MFN 12% GSP: 3.6% Quota (erga omnes): 0%

Notes:

^A MFN is the most favoured nation tariff or tariff established by trading partners members of the WTO

^B GSP Generalised System of Preferences

Source:

Own elaboration based on figures by SIECA, op. cit. and the European Commission, Foreign Trade. (2007). Export Helpdesk for Developing Countries. Consulted on 12 May 2007 at http://export-help.cec.eu.int/index_es.html

El Salvador: Main agricultural exports to the EU 2004 - 2006

Sub-item	Description	2004-2006 Exports US\$	% of total agricultural exports to EU	% accumulated	Tariff
090111	Non-decaffeinated coffee	81,469,377	59.8	60	MFN 0%
160414	Tuna, stripped and bonito (skipjack) (mackerel)	42,921,450	31.5	91	GSP 0%
040900	Natural honey	2,606,906	1.9	93	MFN 17.3%, GSP 0%
220710	Non-denatured ethyl alcohol	2,000,138	1.5	95	MFN 19.20 EUR / hl exempted by the SPG
030613	Shrimps, prawns and other natantian depods	1,367,676	1.0	96	MFN 12% GSP: 3.6% Quota (erga omnes): 0%
060290	Other	1,211,917	0.9	97	MFN: 8.3%-6.5%, GSP: 0%
060491	Fresh (foliage)	1,136,190	0.8	97	MFN: 2% GSP: 0%
170111	Cane Sugar	973,526	0.7	98	MFN 33.9 EUR / 100 kg. quota (erga omnes): 98 EUR / 1000 kg. Representative price: 36.22 EUR / 100 kg. Additional charge based on representative price: 0.42 EUR / 100 kg.
130190	Other gum, resins, juice and natural extracts	882,548	0.6	99	MFN: 0%, GSP 0%
060210	Root-sprouting and layering species without root and rootstock	844,065	0.6	99	SPG: 0 %

Guatemala: Main agricultural exports to the EU 2004 - 2006

Sub-item	Description	2004-2006 Exports US\$	% of total agricultural exports to EU	% accumulated	Tariff
090111	Non-decaffeinated coffee	128,049,116	68	68	MFN 0%
060491	Fresh (foliage)	8,561,777	5	72	MFN: 2% GSP: 0%
220710	Undenatured ethyl alcohol	7,480,960	4	76	MFN 19.20 EUR / hl SPG: 0 %
240120	Tobacco completely or partially stripped	7,472,485	4	80	GSP 0%
120740	Sesame-seed	4,403,669	2	82	MFN 0%
080300	Bananas , fresh or dried		2	85	E176 metric ton (TM)
220840	Rum and other cane spirits	4,377,495	2	87	0.6 EUR/% vol/hl + 3.2 EUR/hl
210111	Extracts, essences and concentrated foods	3,054,737	2	89	Supplementary units to imports/l alc. 100% SPG: 0 %
060410	Moss and lichens	2,560,789	1	90	MFN: 5%, GSP: 0%
040900	Natural honey	2,027,930	1	91	MFN 17.3%, GSP 0%

Honduras: Main agricultural exports to the EU 2004 - 2006

Sub-item	Description	2004-2006 Exports US\$	% of total agricultural exports to EU	% accumulated	Tariff
90111	Non-decaffeinated coffee	676,766,978	72.7	72.7	MFN 0%
30613	Shrimps, prawns and other natantian depods	143,142,674	15.4	88.0	MFN 12% GSP: 3.6% Quota (erga omnes): 0%
80430	Pineapples (ananas)	32,269,095	3.5	91.5	MFN 5.8% exempted by the GSP
80300	Bananas, fresh or dried	26,657,896	2.9	94.4	€176 metric ton (MT)
60290	Other live plants and floricultural products	9,904,632	1.1	95.4	MFN: 6.5%, GSP: 0%
80719	Melons	7,409,101	0.8	96.2	MFN 8.8% 58.34 EurUP/100 kg exempted by the GSP
80540	Grapefruit or pomelo	6,753,224	0.7	96.9	MFN 2.4% 66.43 EurUP/100 kg.-70.85 EurUP/100 kg. exempted by the GSP
240210	Cigars, including cigars without tips and cigarillos that contain tobacco	6,638,975	0.7	97.7	MFN 26% exempted by the GSP
170310	Molasses	3,862,258	0.4	98.1	Duty applicable to third countries 0.35 EUR/100 kg tariff suspension (erga omnes) 0 EUR/100 kg Representative prices (sugar) 10.74 EUR/100 kg
60491	Fresh (foliage)	3,103,798	0.3	98.4	MFN: 2% GSP: 0%

Nicaragua: Main agricultural exports to the EU 2004 - 2006

Sub-item	Description	2004-2006 Exports US\$	% of total agricultural exports to EU	% accumulated	Tariff
090111	Non-decaffeinated coffee	76,994,505	64.3	64.3	MFN 0%
030613	Shrimps, prawns and other natantian depods	18,312,160	15.3	79.6	MFN 12% GSP: 3.6% Quota (erga omnes): 0%
120220	Peanuts and groundnuts, including peeled and crushed	9,722,017	8.1	87.7	MFN 0%
170111	Sugar cane	3,937,340	3.3	91.0	MFN 33.9 EUR / 100 kg. Quota (erga omnes): 98 EUR / 1000 kg. Representative price: 36.22 EUR / 100 kg. Additional charge based on representative price: 0.42 EUR / 100 kg
220710	Undenatured ethyl alcohol with an alcoholic strength by volume higher or equal to 80 % vol	2,583,386	2.2	93.2	MFN 19.20 EUR / hl SPG: 0 %
030611	Lobster (Palinurus spp, Panulirus spp., Jasus spp.)	1,907,282	1.6	94.7	MFN 12.5% exempted by the GSP
220840	Rum and other cane spirits	1,278,440	1.1	95.8	0.6 EUR/% vol/hl + 3.2 EUR/hl Supplementary units to imports/l alc. 100%
060410	Moss and lichens	1,051,177	0.9	96.7	MFN 5% exempted by the GSP
070990	Other herbs, fresh or cooled	1,007,272	0.8	97.5	MFN 12.8% exempted by the GSP
240210	Cigars, including cigars without tips and cigarillos that contain tobacco	896,369	0.7	98.3	MFN 26% exempted by the GSP

This is an English translation of the Spanish report 'La Agricultura de América Central en Juego' written for Bananalink and ICCO in October 2007 by Greivin Hernández González with support of Aseprola.



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